



CITY OF PASADENA, CALIFORNIA
FOR THE YEAR ENDED JUNE 30, 2023

SINGLE AUDIT REPORT

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on YOU



CITY OF PASADENA, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2023

CITY OF PASADENA, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City Council
City of Pasadena, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pasadena, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Honorable Mayor and Members of the City Council
City of Pasadena, California

City of Pasadena’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit as described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Lance, Soll & Luyhard, LLP".

Brea, California
December 28, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council
City of Pasadena, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Pasadena, California (the "City")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.



To the Honorable Mayor and Members of the City Council
City of Pasadena, California

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



To the Honorable Mayor and Members of the City Council
City of Pasadena, California

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 28, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lance, Soll & Loughard, LLP

Brea, California

March 27, 2024 (Except for the Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance which is dated December 28, 2023)

CITY OF PASADENA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Unique Entity Identifying Number</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
SNAP Cluster				
Department of Agriculture:				
Passed through State of California Department of Health Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JE73CDQUAPA7	\$ -	\$ 307,846
Total Department of Agriculture Programs			-	307,846
Total SNAP Cluster			-	307,846
CDBG - Entitlement Grants Cluster				
Department of Housing and Urban Development Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	175,118	3,663,208
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	N/A	66,454	279,739
Beginning loan balances	14.218	N/A	-	26,148,378
Subtotal - AL 14.218			241,572	30,091,325
Total Department of Housing and Urban Development Programs			241,572	30,091,325
Total CDBG - Entitlement Grants Cluster			241,572	30,091,325
Housing Voucher Cluster				
Department of Housing and Urban Development Direct Programs:				
Section 8 Housing Choice Vouchers	14.871	N/A	-	17,561,600
COVID-19 Section 8 Housing Choice Vouchers (CARES Act)	14.871	N/A	-	1,543,738
Beginning loan balances	14.871	N/A	-	50,000
Subtotal - AL 14.871			-	19,155,338
Total Department of Housing and Urban Development Programs			-	19,155,338
Total Housing Voucher Cluster			-	19,155,338
WIOA Cluster				
Department of Labor				
Passed through State of California Department:				
WIOA Adult Program	17.258	JK7YAK6HPFM6	-	574,033
WIOA Youth Activities	17.259	JK7YAK6HPFM6	-	382,458
WIOA Dislocated Worker Formula Grants	17.277	JK7YAK6HPFM6	-	528,512
WIOA Dislocated Worker Formula Grants - Regional Planning Implementation 4.0	17.278	JK7YAK6HPFM6	-	97,729
WIOA National Dislocated Worker Formula Grants	17.278	JK7YAK6HPFM6	-	831,064
WIOA Dislocated Worker Formula Grants - Rapid Response Layoff Aversion	17.278	JK7YAK6HPFM6	-	124,907
Subtotal - AL 17.278			-	1,053,700
Total Department of Labor Programs			-	2,538,703
Total WIOA Cluster			-	2,538,703
Transit Services Program Cluster				
Pass-through State of California Department of Transportation:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	EHEGWCLJEVJ4	-	487,587
Total Department of Transportation Programs			-	487,587
Total Transit Services Programs Cluster			-	487,587
Highway Safety Program Cluster				
Pass-through State of California Department of Transportation:				
State and Community Highway Safety	20.600	EHEGWCLJEVJ4	-	33,985
Minimum Penalties for Repeat Offenders for Driving While Intoxicated - OTS Selective Traffic Enforcement Program (STEP)	20.608	EHEGWCLJEVJ4	-	27,903
Total California Department of Transportation Programs			-	61,888
Total Highway Safety Programs Cluster			-	61,888
Medicaid Program Cluster				
Department of Health and Human Services Direct Programs:				
Medical Assistance Program	93.778	N/A	-	186,572
Passed through County of Los Angeles:				
CHOUER Program	93.778	JK7YAK6HPFM6	-	32,569
Total Department of Health and Human Services Programs			-	219,141
Total Medicaid Program Cluster			-	219,141

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF PASADENA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

Other Programs

Department of Agriculture:

Passed through State of California Department of Agriculture:
WIC Special Supplemental Nutrition Program for Women,
Infants and Children

10.557	W7NKNDHMRD27	-	1,173,986
Total Department of Agriculture Programs		-	1,173,986

Department of Housing and Urban Development:

Direct Programs:

Community Development Block Grants Section 108 Loan Guarantees

14.248	N/A	-	424,073
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Emergency Solutions Grant Program

14.231	N/A	156,663	168,930
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COVID-19 Emergency Solutions Grant Program

14.231	N/A	951,607	982,368
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Subtotal AL 14.231

1,108,270	1,151,298
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HOME Investment Partnership Program*

14.239	N/A	-	1,288,078
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Beginning loan balances

14.239	N/A	-	12,947,380
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-	14,235,458
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Continuum of Care Program*

14.267	N/A	1,902,329	3,245,566
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Passed through City of Los Angeles:

Home Opportunities for Persons with AIDS

14.241	JK7YAK6HPFM6	-	106,304
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Total Department of Housing and Urban Development Programs

3,010,599	19,162,699
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Department of Interior:

Direct Programs:

Water Conservation Field Services HDP

15.530	N/A	-	32,302
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Total Department of Interior Programs

-	32,302
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Department of Justice:

Direct Programs:

Equitable Sharing Program - Justice

16.922	N/A	-	1,014,330
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Total Department of Justice Programs

-	1,014,330
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Department of Transportation:

Passed through the California Department of Transportation

Highway Planning and Construction - Holly Street Bridge Seismic Retrofit *

20.205	EHEGWCLJEVJ4	-	45,675
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Highway Planning and Construction - Union Street Cycle Track *

20.205	EHEGWCLJEVJ4	-	4,775,976
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Highway Planning and Construction - Repair of Existing Damaged Guardrails *

20.205	EHEGWCLJEVJ4	-	280,153
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Highway Planning and Construction - Cordova Street Enhancement *

20.205	EHEGWCLJEVJ4	-	727,137
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Highway Planning and Construction - Safety Enhance Fair Oaks/Colorado; Mountain/Lakes

20.205	EHEGWCLJEVJ4	-	190,391
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Highway Planning and Construction - Rapid Flashing Beacons *

20.205	EHEGWCLJEVJ4	-	9,393
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Highway Planning and Construction - Interval/Audible Signal at Intersections *

20.205	EHEGWCLJEVJ4	-	63,840
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Federal Transit Capital Investment Grants - Intelligent Transportation System *

20.205	EHEGWCLJEVJ4	-	153,380
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Subtotal AL 20.205

-	6,245,945
---	-----------

Total Department of Transportation Programs

-	6,245,945
---	-----------

Department of Treasury:

Direct Programs:

COVID-19 - Coronavirus State and Local Fiscal Recovery Funds*

21.027	N/A	-	32,860,146
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COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - PORT*

21.027	N/A	-	185,321
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COVID-19 - Coronavirus State and Local Fiscal Recovery Funds Health Equity*

21.027	N/A	-	288,511
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Subtotal AL 21.027

-	33,333,978
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Total Department of Treasury Programs

-	33,333,978
---	------------

Department of Health and Human Services Programs:

Direct Programs:

Substance Abuse and Mental Health Services Projects
of Regional and National Significance

93.243	N/A	-	112,419
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Passed-through the County of Los Angeles, Department of Public Health

ELC Strike (Health Assoc. Infection)

93.323	DN3NGS58SMT9	-	24,197
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CDC PH Infrastructure

93.967	DN3NGS58SMT9	-	41,043
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COVID-19 Epidemiology Laboratory Capacity

93.323	DN3NGS58SMT9	-	2,587,974
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Public Health Emergency Preparedness

93.354	DN3NGS58SMT9	-	227,838
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CDC Disparities

93.354	DN3NGS58SMT9	-	193,230
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Subtotal AL 93.354

-	421,068
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HIV Prevention Activities Health Department Based

93.940	DN3NGS58SMT9	-	175,695
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Total passed-through the County of Los Angeles, Department of Public Health

-	3,249,977
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Passed-through the State of California

Temporary Assistance for Needy Families (TANF)

93.558	JK7YAK6HPFM6	-	34,762
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Passed through State of California Department of Health Services:

Project Grants and Cooperative Agreements for Tuberculosis Control Programs

93.116	JE73CDQUAPA7	-	32,202
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Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead

93.197	JE73CDQUAPA7	-	67,107
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Poisoning Prevention and Surveillance of Blood Lead Levels in Children

Immunization Cooperative Agreements

93.268	JE73CDQUAPA7	-	25,332
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COVID-19 Immunization Cooperative Agreements

93.268	JE73CDQUAPA7	-	666,127
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Subtotal AL 93.268

-	691,459
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CDC Work Force Development

93.391	JE73CDQUAPA7	-	222,980
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State Health Disparity Grant - CER1

93.391	JE73CDQUAPA7	-	69,630
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Subtotal AL 93.268

-	292,610
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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF PASADENA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

Maternal and Child Health Services Block Grant to the States	93.994	JE73CDQUAPA7	-	111,604
Maternal and Child Health Services Block Grant to the States	93.994	JE73CDQUAPA7	-	274,711
Subtotal AL 93.268			-	<u>386,315</u>
DIS Workforce Development	93.977	JE73CDQUAPA7	-	46,496
Total passed-through the State of California Department of Health Services			-	<u>1,516,189</u>
Total Department of Health and Human Services Programs			-	<u>4,913,347</u>
Department of Homeland Security Direct Programs:				
Direct Programs:				
Hazard Mitigation Grant	97.039	N/A	-	614,372
Hazard Mitigation Grant	97.039	N/A	-	140,710
Total direct programs			-	<u>755,082</u>
Passed through County of Los Angeles				
Homeland Security Grant Program - FY 2020 Urban Areas Security Initiative	97.067	DN3NGS58SMT9	432,346	432,346
Total Department of Homeland Security Programs			432,346	<u>1,187,428</u>
Total Other Programs			3,442,945	67,064,015
Total Expenditures of Federal Awards			\$ 3,684,517	119,925,843

* Major Program

¹ There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF PASADENA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Pasadena, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

B. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2: SECTION 108 LOAN GUARANTEE PROGRAM

On October 29, 2015, the City entered into a Contract for Loan Guarantee Assistance under Section 108 with the U.S. Department of Housing and Urban Development in the amount of \$6,000,000 for the Robinson Park Project. On March 28, 2019 the loan was refinanced at \$5,100,000 to lock in permanent fixed interest rates. Principal is payable in annual installments of \$300,000 commencing on August 1, 2019 and ending August 1, 2035. Interest rate is fixed between 2.54%-3.635%. Interest payment is paid semi-annually from the effective date of March 28, 2019. The balance outstanding as of June 30, 2023, is \$3,900,000.

NOTE 3: LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The program costs listed below are administered directly by the City of Pasadena, and balances and transactions relating to these programs are included in the City's basic financial statements. Loans made during the year are included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards. The balance of loans outstanding at June 30, 2023, consists of:

Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2023
14.218	Community Development Block Grants/Entitlement Grants	\$ 27,159,649
14.239	Home Investment Partnerships Program	13,962,511
14.871	Section 8 Housing Choice Vouchers	50,000
		<u>\$ 41,172,160</u>

SECTION II - FINANCIAL STATEMENT FINDINGS

Reference Number

2023-001 – Timeliness of Bank Reconciliation Preparation

Evaluation of Finding

Significant Deficiency

Condition

A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors. Bank statements in some instances were accumulated for several months before they were reconciled to the appropriate general ledger controls. Not reconciling the accounts on a monthly and timely basis means that errors or other problems might not be recognized or resolved on a timely basis. We recommend that all bank accounts be reconciled each month prior to preparation of monthly financial statements.

Criteria

In order to make the financial reports generated by the accounting system as meaningful as possible, the City should reconcile to the general ledger accounts for cash on a monthly basis as timely as possible.

Cause of Condition

Due to the significant volume and detail of individual cash transactions, in addition to staffing and personnel issues experienced by the City, there were instances where the City did not possess the capacity to perform the monthly bank reconciliations on a timely basis.

Effect or Potential Effect of Condition

Not reconciling the accounts on a monthly and timely basis means that errors or other problems might not be recognized or resolved on a timely basis.

Recommendation

The Finance Department should look at ensuring that sufficient experienced personnel are available to help facilitate the monthly bank reconciliation processes.

Management Response

We agree with the finding. The City is currently implementing efficiency improvements to the monthly bank reconciliation process in hopes to alleviate this occurrence during Fiscal Year 2024.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Reference Number

2023-002 – Year-End Close and Financial Reporting

Evaluation of Finding

Significant Deficiency

Condition

During the audit, we found the following conditions that resulted in significant adjustments to the financial statements.

Accuracy in External Financial Reporting

The year-end closing process did not ensure that account balances were reconciled and accurate in advance of the audit requiring a significant number of correcting journal entries provided by the City to correct the final financial statements. It appears these errors were primarily caused by the trial balance being prepared from data that was not always complete, contained errors, and appropriate year end reconciliations had not been performed.

Criteria

Management is responsible for the preparation and fair presentation, as well as the accuracy of its financial statements, including disclosures in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Cause of Condition

Due to the significant volume and detail of general ledger transactions of the City, in addition to newly issued complex Government Accounting Standards Board (GASB) Pronouncements, some processes were not fully executed and reflected in the City trial balance prior to being furnished to the auditors.

Effect or Potential Effect of Condition

Due to the items noted above, there is a potential for significant misstatements to be present in the initial trial balance that is provided to the auditors.

Recommendation

The City should put in place formalized year-end close procedures to ensure the close is complete and reduce the amount of journal entries needed and errors found after the closing process has been completed. We suggest management also establish effective review policies and procedures, including but not limited to; apply analytical procedures on the trial balance numbers and perform reconciliations of all significant accounts.

Management Response

Management agrees with the finding. Due to the implementation of the newly issued and complex GASB pronouncement, a number of journal entries and corrections were made by City staff. The City will implement and follow formal year-end closing processes and procedures to ensure sufficient review and corrections to the trial balance are made, prior to year-end close.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Finding: 2022-001

Condition:

Appropriate corrective actions were taken; this finding is considered resolved and is not repeated in the fiscal year ended June 30, 2023.

Finding: 2022-002

Condition:

Appropriate corrective actions were taken; this finding is considered resolved and is not repeated in the fiscal year ended June 30, 2023.